

MEMO# 9959

May 22, 1998

INSTITUTE SUBMITS TESTIMONY TO SUBCOMMITTEE ON OVERSIGHT FOR HEARING ON OVERSIGHT OF PENSION ISSUES

1 See Institute Memorandum to Pension Committee, No. 27-98, dated May 7, 1998. [9959] May 22, 1998 TO: PENSION COMMITTEE No. 30-98 PENSION OPERATIONS ADVISORY COMMITTEE No. 18-98 RE: INSTITUTE SUBMITS TESTIMONY TO SUBCOMMITTEE ON OVERSIGHT FOR HEARING ON OVERSIGHT OF PENSION ISSUES

On May 19, the Institute submitted written testimony to the Subcommittee on Oversight of the Committee on Ways and Means for its hearing on oversight of pension issues. In its written testimony, the Institute indicated its strong support for various provisions included in H.R. 3788, the Retirement Security for the 21st Century Act, introduced by Representatives Portman (R-OH) and Cardin (D-MD).¹ The testimony made three general points to Congress: (1) create and maintain appropriate individual and employer incentives to save; (2) reduce unnecessary and cumbersome regulatory burdens that deter employers from offering retirement plans; and (3) keep the rules simple and easy to understand. In keeping with these principles, the Institute's testimony supported the provisions of H.R. 3788 that would implement the following changes: ` Increase the contribution limits for 401(k), 403(b) and 457 plans to \$15,000 and increase the limits for SIMPLE plans to \$10,000; ` Increase the section 401(a)(17) limit on compensation that may be taken into account to determine benefits for qualified plans to \$235,000; ` Repeal the "25% of compensation limit" under section 415; ` Facilitate the portability of benefits among 401(k), 403(b), 457 plans and IRAs; ` Permit individuals 50 and older to make "catch-up" contributions of \$5,000 per year on a tax-deferred basis; ` Modify the top-heavy rule; and ` Modify the minimum distribution rules under section 401(a)(9), including raising the minimum distribution age to 75 and exempting the first \$300,000 in assets in plans and IRAs from the rule. A copy of the testimony is attached. Kathryn A. Ricard Assistant Counsel Attachment